

## Message Text

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16

ORIGIN COME-00

INFO OCT-01 EUR-12 NEA-09 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

FEA-01 AF-06 ARA-06 EA-06 /125 R

DRAFTED BY COM/IEPR/OTP/IND:CGBARE:JM

APPROVED BY EB/OT/GCP:DTMORRISON

COM/IEPR/OTP:CSSIEGEL

NEA/ARN:PKBULLEN

EUR/RPE:ECASEY (SUBS)

TREASURY/OTP:MCHAVES

STR:LGRAEF

AGRICULTURE:RHARPER

----- 029195

R 242105Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BEIRUT

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EEC, ETRD, LE

SUBJECT: US GENERALIZED PREFERENCES AND THE REVERSE  
PREFERENCE ISSUE

REFS: A BEIRUT 175 B BEIRUT 165

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1. AS EMBASSY AWARE, USG CURRENTLY IN PROCESS DETERMINING

LIST OF COUNTRIES ELIGIBLE FOR US GSP. SECTION 502 (B)(3) OF TRADE ACT FORBIDS US GSP TO ANY COUNTRY GRANTING PREFERENTIAL TREATMENT TO DEVELOPED COUNTRIES WHICH "HAS, OR IS LIKELY TO HAVE, A SIGNIFICANT ADVERSE EFFECT ON US COMMERCE, UNLESS THE PRESIDENT HAS RECEIVED ASSURANCES SATISFACTORY TO HIM THAT SUCH PREFERENTIAL TREATMENT WILL BE ELIMINATED BEFORE JANUARY 1, 1976 OR THAT ACTION WILL BE TAKEN BEFORE JANUARY 1, 1976, TO ASSURE THAT THERE WILL BE NO SUCH SIGNIFICANT ADVERSE EFFECT AND HE REPORTS THESE ASSURANCES TO CONGRESS."

2. ALTHOUGH LEBANON CURRENTLY ON GSP LIST A, PRELIMINARY EXAMINATION OF EC-LEBANESE AGREEMENT REVEALS ONE POTENTIAL PROBLEM AREA IN WHICH PREFERENCES COULD RAISE QUESTIONS CONCERNING ADVERSE TRADE EFFECTS OF GOL EXTENSION OF PREFERENCES TO EC. ACCORDING TO AVAILABLE INFORMATION,

LEBANON GRANTS EC 70 PERCENT PREFERENCE ON LEBANESE TARIFF SCHEDULE ITEM 90.28 (31) (ELECTRICAL MEASURING, CHECKING, ANALYZING OR AUTOMATICALLY CONTROLLING INSTRUMENTS AND APPARATUS, EXCLUDING VOLTAGE REGULATORS) DUTIABLE AT 11 PERCENT. RESULT IS 3.3 PERCENT PREFERENTIAL RATE FOR IMPORTS FROM EC OPPOSED TO 11 PERCENT RATE FOR IMPORTS FROM US.

3. ACCORDING TO 1972 LEBANESE TRADE DATA (WHICH PREDATES APPLICATION OF PREFERENTIAL RATES TO EC AND IS LATEST AVAILABLE TO WASHINGTON AGENCIES), VALUE OF LEBANON'S IMPORTS IN THIS CATEGORY (IN US DOLLARS CONVERTED FROM LEBANESE POUNDS) WAS AS FOLLOWS, WITH IMPORTS FROM THE EC COUNTRIES SHOWN IN PARENTHESES: 0.9 (0.3) MILLION DOLLARS IN 1971 AND 2.6 (0.6) MILLION DOLLARS IN 1972. LEBANON'S IMPORTS FROM THE US IN THIS CATEGORY WERE RECORDED AS 0.4 MILLION DOLLARS IN 1971 AND 1.8 MILLION DOLLARS IN 1972. US CUSTOMS DATA SHOW MUCH LOWER FIGURES FOR EXPORTS TO LEBANON OF ITEMS CORRESPONDING TO THIS CATEGORY: 0.1 MILLION DOLLARS IN 1971, 0.2 MILLION DOLLARS IN 1972, AND 0.5 MILLION DOLLARS IN 1973, WITH 9-MONTHS FIGURES FOR 1973 AND 1974 RECORDED AS 429,130 DOLLARS AND 419,142 DOLLARS, RESPECTIVELY. DATA DIS-

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CREPANCIES PROBABLY RESULT FROM DIFFERENCES BETWEEN US AND LEBANESE TARIFF CLASSIFICATIONS. EMBASSY MAY WISH TO VERIFY AND UPDATE LEBANESE DATA ABOVE FOR USE IN DISCUSSIONS OUTLINED BELOW.

4. ACTION REQUESTED: EMBASSY REQUESTED TO DISCUSS WITH APPROPRIATE GOL OFFICIALS REQUIREMENT OF SECTION 502(B) (3) OF TRADE ACT AND RECOMMEND MFN TARIFF REDUCTION ON

90.28(31) AS MEANS OF REMOVING POSSIBILITY OF DIFFICULTY ARISING OVER ACTUAL OR POTENTIAL IMPORTANCE OF PREFERENCE ACCORDED UNDER TAIRFF ITEM 90.28(31). MFN REDUCTION TO 3-6 PERCENT RANGE (EMBASSY SHOULD INDICATE CLEAR INTEREST IN REDUCTION TO LOWER LIMIT) WOULD HELP DISPEL POTENTIAL US CONCERN RE THIS ITEM. THIS WOULD HAVE THE EFFECT OF REDUCING ABSOLUTE VALUE OF PREFERENCE MARGIN TO 2-3 PERCENT RANGE. BINDING WOULD NOT BE NECESSARY. EMBASSY REQUESTED ALSO TAKE OCCASION TO NOTE THAT PRESENT OR SUBSEQUENT INCLUSION OF ANY COUNTRY ON LIST A DOES NOT PRECLUDE POSSIBILITY OF ITS LATER REMOVAL IF FUTURE TRADE PREFERENCE ACTIONS (INCLUDING ENLARGEMENT OF EXISTING PREFERENCES) HAVE ACTUAL OR LIKELY SIGNIFICANT ADVERSE EFFECT ON US COMMERCE. BEST WAY FOR COUNTRIES NOW EXTENDING REVERSE PREFERENCES TO REMOVE ALL DOUBT RE CONTINUED GSP ELIGIBILITY ON THIS COUNT WOULD BE TO ELIMINATE REVERSE PREFERENCES AS AFRICAN, CARIBBEAN AND PACIFIC

COUNTRIES AND MAGHREB APPEAR LIKELY TO DO. EMBASSY SHOULD, AT ITS DISCRETION, DRAW UPON ARGUMENTS THAT REVERSE PREFERENCES DISADVANTAGEOUS TO COUNTRY GRANTING THEM AND TO THIRD COUNTRIES AND MAY ALLUDE TO UNDERSTANDING THAT ARAB LEAGUE MAY BE TAKING ACTIVE ROLE IN OPPOSING REVERSE PREFERENCES ACCORDED DEVELOPED COUNTRIES BY ARAB LEAGUE MEMBERS (REF A). KISSINGER

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